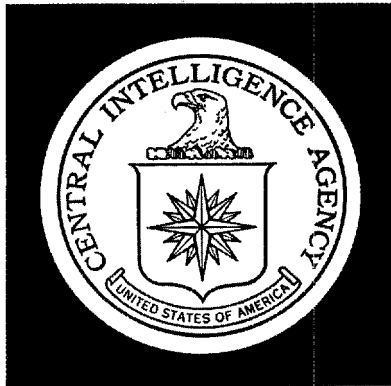


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*Congo (Kinshasa): (Information as of 4:30 AM EDT)

Government forces are still delaying an attack on the remaining mercenary contingent in Kisangani (formerly Stanleyville).

The mercenaries remain in control of Kisangani airport and apparently are holding a large number of women and children as hostages. They reportedly are now completely encircled by Congolese Army (ANC) troops, but the ANC has been holding off while attempts are made to arrange the evacuation of noncombatants. ANC commanders in Kisangani reportedly are under orders to protect Europeans once the offensive begins, but their ability to hold back their troops remains questionable.

Racial tensions in most of the rest of the Congo seem to be abating, in part because the government's propaganda apparatus is taking a much less vitriolic line. The easing is especially noticeable in Katanga Province, and there is even some chance that a mass exodus of key European technicians there can be avoided. In Bukavu, on the other hand, [redacted] the army is still out of control and that considerable looting and violence is taking place.

Meanwhile, relations between Kinshasa and Brussels have further deteriorated as a result of Congolese actions against Belgian nationals. Foreign Minister Harmel has told Ambassador Knight in Brussels that the "strange" Congolese attitude could only result in the partial withdrawal by Belgium of the assistance it is currently providing the Congo. [redacted]

[redacted]

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West Germany: A large proportion of the cut in spending called for in the coalition cabinet's new financial plan will be made in the defense budget.

The US Embassy in Bonn comments, however, that specific decisions on how to implement the proposed defense cuts evidently have not been made. According to a cabinet announcement, the reductions will range from \$500 million next year to a high of nearly \$640 million in 1970. Total projected defense spending in 1968 is set at \$4.5 billion, rising to \$5 billion by 1971.



Other features of the stringent four-year financial plan involve extensive reductions in social welfare spending and tax increases. Only the Scientific Research Ministry was spared from the cuts.

Spokesmen for both the Christian Democrats and the Socialists maintain that both coalition parties view the new program as a "workable" solution to Bonn's financial troubles.

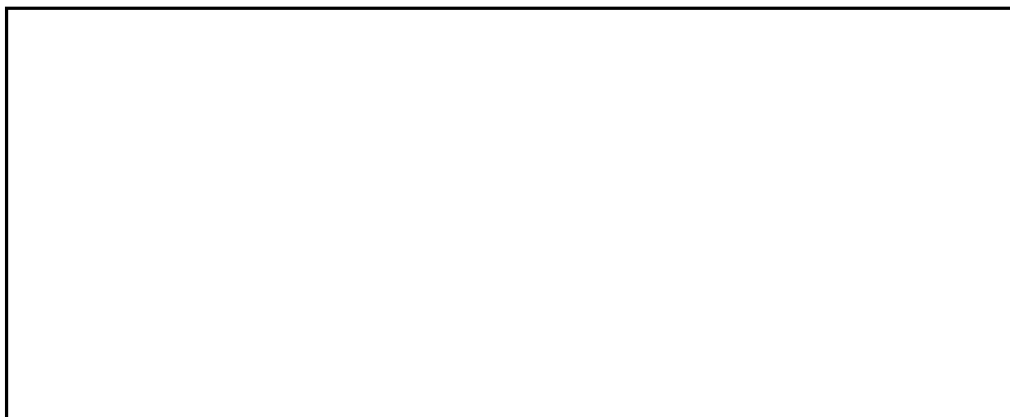
Bonn may hope a reduction in its forces will encourage the Soviets to advocate a corresponding reduction of East German forces. Foreign Minister Brandt is reported to have taken soundings recently with Soviet diplomats regarding possible reciprocal troop reductions.



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Iraq: President Arif yesterday relinquished the post of prime minister and named Tahir Yahya to succeed him. Yahya's 19-man cabinet--down from the previous 25--contains 11 members of the previous cabinet and, despite the inclusion of a few Nasirists, has no clear political orientation. The new prime minister, who has Baathi connections but is primarily out for himself, has retained the key post of acting interior minister. There is now only one Kurd in the cabinet. Pachachi, who long held the post of foreign minister, has been appointed as Iraq's UN representative.

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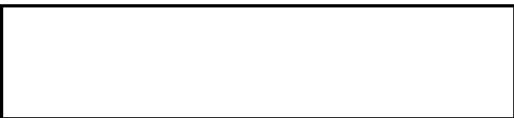
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